

Approved

MINUTES OF THE BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
1 North Franklin Street, 27th Floor, Chicago, Illinois
March 23, 2017

TRUSTEES PRESENT

Christopher Kasmer	Chairman
Paul Sidrys	Secretary
Tom McKone	
Sherri Thornton-Pierce	
Marqueal Williams	
Joseph J. Burke	
Kenneth Franklin	
Tommy Sams	

ALSO PRESENT

John Kallianis	Executive Director
David Novak	Jackson Lewis, LLP on behalf of CTA appointed Trustees
Justin Lannoye	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich on behalf of the ATU Local 241 appointed Trustee
Daniel R. Salemi	Franczek Radelet on behalf of the RTA appointed Trustee
Anita Tanay	Jacobs, Burns, Orlove & Hernandez on behalf of the ATU Local 308 appointed Trustee
Aaron Stanton	Burke, Warren, MacKaye & Serritella, PC on behalf of the Retirement Plan for CTA Employees
Stephen Rosenblat	Baum Sigman Auerbach & Neuman, Ltd., Fund counsel
Kathleen Ehrhart	Freeborn & Peters, LLP

CALL TO ORDER

The meeting was called to order by the Chairman.

ROLL CALL

The Chairman ruled that a quorum was present. It was brought to the attention of the Trustees that Ms. Ehrhart was present to report on a litigation matter and would have to leave the

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meeting no later than 11:30 a.m. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To go out of order from the Agenda presented.

EXECUTIVE SESSION

Mr. McKone moved that the Trustees enter Executive Session. The motion was seconded by Mr. Burke. The following Resolution was unanimously adopted:

RESOLVED: To move into Executive Session.

LITIGATION MATTERS regarding Matthews/Williams Litigation

Upon returning from Executive Session, Mr. McKone made a motion to direct counsel to join the Retirement Plan for CTA Employees' motion to disqualify the law firm of Dowd, Bloch, Bennet, Cervone, Auerbach & Yokich. The motion was seconded by Mr. Burke. The motion passed. Mr. Franklin and Mr. Williams abstained.

CONSIDERATION OF MINUTES OF PRIOR MEETINGS

Mr. Sidrys moved that the revised Minutes of the January 24, 2017 meeting be approved. Chairman Kasmer seconded the motion to approve the Minutes as revised. Discussion ensued. The motion passed.

Discussion ensued regarding the Minutes of the February Board meeting. It was pointed out that the Minutes reflect that it was reported that actives receive prescription drug benefits from Cigna. In fact, active CTA employees are provided prescription drug benefits through CVS Caremark. Discussion ensued. It was the consensus of the Trustees that the Minutes be tabled until the next meeting for further review.

GENERAL ADMINISTRATION COMMITTEE REPORT

The Chairman moved on to agenda item 4. Mr. Franklin moved approval of items 4A and B. Mr. Burke seconded the motion. The Chairman called the question. Upon motion made and seconded, items 4A and B on the agenda were unanimously approved.

The Chairman reported that the General Administration Committee received requests for pre-approval to attend the IFEBP Legislative Conference in Washington, D.C. on May 22 and May 23, for the Chairman, Mr. Kasmer, to attend the IFEBP Annual Conference in Las Vegas from October 21 through October 25, with a request for half of the cost to be shared by this Board. Mr. Burke moved approval for item 4C for Ms. Hampton and Mr. Kasmer to attend IFEBP Conferences. The motion was seconded by Mr. McKone. Mr. Franklin asked whether requests to attend needed to be made in advance of the meeting. Mr. Kallianis and the Chairman advised that there is a form required to be submitted prior to the meeting. The motion carried.

INVESTMENT COMMITTEE REPORT

The attention of the Trustees was directed to Mr. Zarate of Marquette Associates. Mr. Zarate distributed a report entitled, "Retiree Health Care Trust Executive Summary, December 31, 2016." Mr. Zarate directed the attention of the Trustees to page 8 of the report. The market value of the Fund as of December 31, 2016 was \$755,000,000. The Fund returned 6.5% during that year, compared to the actuarial assumed rate of 7%. Individual managers were reviewed. Mr. Zarate noted that the small cap composite underperformed, returning 13.8% compared to the Russell 2000 Index which returned 21.3%. The non-U.S. equity composite also underperformed, returning -2.2% compared to the MSCI ASWI ex-USA Index which returned 4.5%. Other managers were then reviewed. Mr. Zarate directed the attention of the Trustees to page 11 of his

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report. The Amalgatrust SCG Fund returned 2.3% for the year ending December 31, 2016 compared to the Russell 2000 Growth Index which returned 11.3%. Mr. McKone asked for details on the small cap manager underperformance.

Mr. Zarate then directed the attention of the Trustees to Tab 1 of his presentation book which was an executive summary as of March 23, 2017. The asset allocation was reviewed. Fixed income is at 37.1% of the assets compared to the policy target of 40%. U.S. equities are 37.3% compared to the policy target of 35%. Non-U.S. equities are 14.9% compared to the policy target of 15%. Real assets are at 10.5% compared to the policy target of 10%. The summary of cash flows was then reviewed. Performance of the Fund was then reviewed through February 28, 2017. The Plan matched the benchmark on a one month basis while outperforming on a fiscal year-to-date basis. The U.S. equity composite detracted from the benchmark. Non-U.S. fixed income and non-U.S. equity composites added value to the Plan. The U.S. fixed income composite matched the benchmark. Portfolio liquidity was reviewed. 73.2% of the holdings are liquid on a daily basis. As of March 21, 2017, the total assets of the Fund were \$775,662,659.

Mr. Franklin excused himself from the meeting and Mr. Weems took his seat. Mr. Zarate reported that the PNC assets had been liquidated and transferred to an index fund. The Trustees then thanked Mr. Zarate for his report.

OLD BUSINESS

The Payroll Review Committee met on March 21, 2017. Mr. Kallianis reported on training to be done to complete contribution forms and comply with the contribution obligation. He next reported on an engagement letter with Legacy to perform an audit for 2011 to 2016. The hourly audit fee rate was a blended rate of \$90 per hour for the first audit. The new engagement calls for

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a blended rate of \$92 per hour. Discussion ensued regarding a request for a MWBE subcontractor to work with Legacy. Regarding the 2008 to 2011 payroll audit report, counsels to the parties will circulate memoranda on their respective positions.

Regarding the payroll audit engagement for July 1, 2011 through December 31, 2016, Mr. Sidrys asked how long it would take Legacy and how much it would cost to complete the audit for that period.

The Trustees then considered a resolution regarding an HRA. Mr. Kallianis reported that the General Administration Committee met on March 14, 2017. It was the consensus from that meeting that staff and Segal should move forward with a plan to implement an HRA. The General Administration Committee asked that a resolution be drafted to that effect. The Chairman asked the court reporter to read the resolution, which she did:

WHEREAS, the Board of Trustees of the Retiree Health Care Trust, the Board has expressed the desire to move forward with the implementation of a health reimbursement arrangement and directed the General Administration Committee to renew its efforts towards implementation;

WHEREAS, the GA Committee had done a great deal of work with Trust staff, Segal staff, and legal counsel to prepare for the implementation of an HRA; and

WHEREAS, the GA Committee met on Tuesday, March 14th to discuss the status of the HRA.

NOW, therefore, be it resolved, that the Board of Trustees of the Retiree Health Care Trust:

1. Directs the GA Committee, Trust staff, Legal staff, and Segal staff to continue to work diligently towards the implementation of an HRA program.
2. Directs the GA Committee to report back to the full Board regularly on its efforts.

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3. Directs the GA Committee upon completion of its work to come back to the full Board with a recommendation on how to implement an HRA and a timeline for implementation.

Mr. McKone made that motion. Mr. Burke seconded the motion. Chairman Kasmer called the question. The motion passed. Ms. Donahue said that regular monthly meetings had been scheduled to move this along. Ms. Donahue then reviewed the “Key Dates for the Chicago Transit Authority Retiree Health Care Trust – 2017” document that was distributed to the Trustees. It was noted that a meeting with Humana scheduled for May 3 or 4, 2017 would not work.

Ms. Donahue also reviewed with the Trustees the March 23, 2017 memorandum regarding 2018 plan options for considerations and recommendations. This memorandum was in preparation for the 2018 Plan Year. Medicare enrollees are currently in a Humana program. It was recommended that the current program be extended through 2018. It was further recommended that in August, when requests for contract renewals are considered, that Humana, Blue Cross Blue Shield and Caremark be asked for one year and multi-year proposals. Generally, Humana performance has been good because of a cap of 3% on administrative rates. Ms. Donahue then reported on the voluntarily dental Metlife program. There have been some service issues regarding coverage and payment with Metlife. That assignment may want to be bid-out by the Trustees. The cost of doing a bid would be between \$30,000 and \$35,000 with Segal proposing to cap its fee at \$35,000. Discussion ensued regarding whether there would be a savings to the RHCT if, upon retirement, former CTA employees would first elect COBRA on the CTA plan. Discussion ensued regarding the impact of this cost shift. The General Administration Committee will also discuss eligibility rules.

NEW BUSINESS

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There was no new business to come before the Board.

ADJOURNMENT

There being no further business to come before the Board, upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adjourn the meeting at 12:05 p.m.

SECRETARY

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